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SUBJECT: AQABA FACES THE CHALLENGES OF GROWTH

REF: A. AMMAN 2366
[1](#)B. AMMAN 1466
[1](#)C. 04 AMMAN 2554
[1](#)D. 07 AMMAN 2017
[1](#)E. EXECUTIVE PRIVATIZATION COMMISSION REPORT ON
AQABA PORT ORGANIZATION - JANUARY 2008
[1](#)F. JO MAGAZINE - AUGUST 2007 - "A SIMPLE PLAN"

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Classified By: Ambassador R. Stephen Beecroft
for reasons 1.4 (b) and (d).

[1](#)1. (C) Summary: Aqaba has grown rapidly and consistently since 2001 when it was placed under a special administrative model designed to encourage investment, growth and development. This growth has come at something of a price when it comes to local governance; locals complain that they lack a voice within the Aqaba Special Economic Zone Authority, and that they are not benefiting adequately from the economic boom. The Aqaba Special Economic Zone Authority, Aqaba's governing body, contends that its broad vision for development trumps fleeting local concerns, and points to Aqaba's growth statistics as proof of their success. Shalalah, a slum neighborhood of Aqaba slated for re-development, vividly illustrates Aqaba's governance contradictions and growing pains. End Summary.

Red Sea Boomtown

[1](#)2. (SBU) Ever since the launch of the Aqaba Special Economic Zone Authority (ASEZA) in 2001, the region has proven itself to be a model for economic growth in Jordan. GDP per capita in Aqaba is growing at double the national rate, though its unemployment is comparable to the official nationwide rate of 13.1 percent. Aqaba's container port has been transformed from a poorly-run facility blacklisted by Lloyd's of London to one of the most efficient in the Middle East. Cranes dot the skyline, and the sounds of construction echo through the city as new hotels and resorts rise on the coastline. Despite the pessimism that is characteristic of Jordanians in these difficult economic times (Ref A), Aqaba maintains a sense that its brightest days are still ahead.

Reconciling Growth with Governance

[1](#)3. (C) Aqaba's special status has been a critical factor in its rapid growth. While most municipalities in Jordan are governed by elected councils, the Aqaba area's approximately 90,000 residents are governed by ASEZA, with the mandate of enhancing economic capability in the region by attracting investors and creating jobs. Dr. Bilal Al-Bashir, ASEZA's Deputy Chief Commissioner and the Commissioner for Environment Regulation and Enforcement (and brother of Foreign Minister Salah Al-Bashir) conceded to poloffs that the Special Economic Zone "was not democratic," but characterized this as an advantage. "People (in Aqaba) are

not interested in empowerment - they just want things done," Bashir explained. He expressed concern that holding ASEZA electorally accountable might disrupt the development process in Aqaba and negatively affect the long-term vision for the Zone. He favorably compared the efficient model of ASEZA with other local governments in Jordan, which he called "hamstrung" by the incidentals and trivialities of day-to-day politics. Bashir said the community was reaping the benefits of this foresight, pointing to Aqaba's exceptional GDP growth statistics.

¶4. (C) Many Aqabawis we spoke with, however, called for more locally accountable representation that could provide a more targeted response to their socioeconomic needs. Aqaba MP Mohammed Al-Badri alleges that the lack of a local voice on the council (none of the ASEZA commissioners are Aqabawis) leaves Aqabawis with nobody to go to locally to speak for their day-to-day interests. Sheldon Fink, manager of the Aqaba International Industrial Estate, noted unhappiness with ASEZA among local businessmen who cannot compete with the big investors in the Zone. He claimed that if, hypothetically, there was a referendum on keeping the Authority, ASEZA would not win: "The big names in South Jordan can't stand ASEZA." USAID funds several projects in Aqaba devoted to integrating ASEZA's work and decision-making process into the local community, but they often face the difficult challenge of overcoming Jordan's bureaucratic culture, which typically favors top-down approaches rather than community-based development.

Local Governance in Aqaba

¶5. (C) Political representation in Aqaba is convoluted. Aqabawis with whom we spoke told us that first they go to

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their representatives in parliament - not ASEZA - when looking for solutions to local problems. The national representatives then take up these problems with ASEZA. According to Badri, he and the other Aqaba MPs sometimes take problems directly to Prime Minister Nader al-Dahabi. He stated that because of PM Dahabi's experience as ASEZA Chief Commissioner, he has been more receptive to their concerns than previous Prime Ministers have been.

¶6. (C) While ASEZA is theoretically held accountable on results and can be questioned by the Parliament, in practice the MPs rarely display such oversight. Badri, for his part, lamented the fact that Aqaba's parliamentary representatives are forced to deal with municipal issues and serve as an interface between ASEZA and Aqabawis. Badri said that when he contacts ASEZA about constituent problems, the commission only listens to him "sometimes". The community writ large, he asserted, has a worse time than he does in trying to get ASEZA's ear (hence his role as a go-between). Badri acknowledged, however, that Hosni Abu Gheida, the present Chief Commissioner of ASEZA, is more attuned to local concerns than past ones have been, a view other contacts confirmed.

Shalalah: Uneven Growth, Social Barriers, and Governance Gaps

¶7. (C) Residents of the impoverished Shalalah neighborhood of Aqaba sit on tricky economic and governance fault lines. Shalalah's population is a mix of the original East Banker residents, Egyptian migrant workers, and Palestinians. United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) officials in Aqaba say that there are around 21,000 registered Palestinian refugees living in Aqaba, out of a total city population of around 90,000. They are joined by 4,000 undocumented Palestinians, many from Gaza. Most of the registered refugees have been living in Jordan since 1948, and are therefore full Jordanian citizens. The Gazans, however, have no access to the services of the

state or UNRWA. Three spheres of authority intersect there: ASEZA, which has authority over locally controlled services and regulatory functions; the central Jordanian government, which retains control over security, education, and health services; and, for a small number of Palestinian residents, UNRWA. Residents of Shalalah with whom we spoke asserted that they fall through the cracks between these authorities rather than benefiting from overlap. A community activist complained that she finds little in the way of answers or resources to address the community's need for services, despite "knocking on all doors." Another community leader asserted: "AZESA just picks up the garbage, and UNRWA is very limited."

¶8. (C) The unskilled laborers of Shalalah, many of whom have long depended on patronage jobs, face difficulties in adjusting to the new economy. Business and government contacts note an urgent need for both skilled and unskilled labor in the hotels, but point out that the "culture of shame" - the idea that working in the service sector, especially tourism, is dishonorable - presents a high barrier for many who might otherwise seek employment in the resorts. As the number of Jordanians working in tourism has increased across the country, Shalalah residents, many of whom are culturally conservative, have still not entered this field. Local officials, in part with USAID assistance, have tried several methods to overcome this barrier (Ref C), but are working against deeply ingrained habits. As a consequence, unemployment in Shalalah remains stagnant while foreign workers fill staffing shortfalls.

¶9. (C) The people of Shalalah who do have jobs are threatened by the rapid transformation of local labor needs from blue collar to service-oriented positions. The case of the Port of Aqaba is the most frequently cited example. In January 2008, a World Bank-funded report recommended that up to 65 percent of the Port staff (most of whom are patronage employees) be laid off in the next five years as the Port is relocated and reorganized (Ref E). No decision has been made by the Port's management on whether that will happen, but the handwriting is on the wall. Many who will be laid off are residents of Shalalah, but the impact will spread beyond that district alone: the report estimates that downstream effects of job losses in the port will be felt by up to 15 percent of Aqaba residents. While there are efforts underway by USAID and ASEZA to retrain these workers, the director of a USAID-funded community integration project commented that "you're not going to find former dockworkers manning the front desk at the Kempinski Hotel."

¶10. (SBU) Poor links between Shalalah residents and the government fuel the sticky political and social situation. The master plan for Aqaba envisions the area currently

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occupied by the neighborhood as a mix of commercial and residential plots - a plan which will require relocation of the area's residents. The status of the phosphate railway which currently runs along the border of the district will also impact the future disposition of the area. To address the needs of the Shalalah community, ASEZA has set aside the Karama ("Dignity") district, just northeast of the city on the road out of town, for its residents. The authority has spent USD 30 million to construct low-income housing, with other plots left empty so residents can build their own homes.

¶11. (SBU) Local residents however, have little faith in ASEZA efforts to improve their situation. Some relayed to us unsubstantiated rumors that homes in Karama would be given only to Shalalah residents who have the titles to their land - currently a minority - and that those who did get a slot would then be subject to an involuntary loan scheme. When AZESA sent surveyors to gather information for the redevelopment of Shalalah and assess the conditions for moving its people, they were pelted with questions for which

they had no ready information, deepening the distrust (Ref F). Relations hit a low point in late 2007 as local police attempted to evict some of the residents from their homes and move them to Karama. That strategy backfired, and Shalalah residents resorted to public protests. Following the attempt at forced eviction, an AZESA commissioner was assaulted by Shalalah residents after he chastised them on a local radio station. The entire episode highlighted both the gap between AZESA's plans and local expectations, and the lack of an effective PR strategy. Since then the issue has been put on hold. The Karama district lies half-built, and Shalalah continues to prove an obstacle to the social and economic vision of ASEZA, with local residents opposing a move to Karama, objecting both to the plan itself and to ASEZA's failure, in their eyes, to adequately explain it.

Comment

¶12. (C) ASEZA was established with the goal of turning Aqaba into a boomtown, and has so far been successful by any macroeconomic measure. However, the disconnect between residents and both the governing structure and the economic opportunities requires renewed focus. While the conflict between haves and have nots remains below the surface for now, in order to meet its economic targets, ASEZA may well have to adopt some political and public relations ones as well. In the absence of effective channels for the airing and addressing of local grievances, this most economically advanced of Jordanian cities leaves its poorest residents with only traditional relationship-based tools. USAID-funded projects are helping to bridge this gap, but overcoming the political culture is proving to be a slow and difficult task.

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